# 360 Capital Financial Services Group Inc.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016**

(unaudited)

# NOTICE TO READER
# UNAUDITED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed financial statements; the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

Management has prepared the condensed interim statements of financial position of 360 Capital Financial Services Group Inc. as at March 31, 2017 and 2016 and the condensed interim statements of comprehensive loss, changes in equity and cash flows for the three-month periods ended March 31, 2017 and 2016. Readers are cautioned that these statements may not be appropriate for their purposes.

Management has prepared the information and representations in this interim report. The condensed financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the condensed financial statements.

"David Stadnyk"
Chief Executive Officer

Vancouver, B.C.
May 30, 2017

360 Capital Financial Services Group Inc.

**360 Capital Financial Services Group Inc.**
Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)

| | Note | March 31, 2017 | December 31, 2016 |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| Current Assets | | | |
| Cash | | 208,975 | 271,026 |
| Amounts receivable | | 1,749 | 1,749 |
| Due from related companies | 5 | 14,404 | 10,861 |
| Prepaid expenses and deposits | | 1,250 | - |
| | | 226,378 | 283,636 |
| Long-term investments | 4 | 716,000 | 706,000 |
| | | 942,378 | 989,636 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 5 | 177,413 | 172,121 |
| Due to related parties | 5 | 35,026 | 27,596 |
| Deferred revenue | | 11,000 | 27,500 |
| | | 223,439 | 227,217 |
| Subordinated debt | 5 | 64,234 | 63,440 |
| | | 287,673 | 290,657 |
| Equity | | | |
| Share capital | 6 | 3,404,041 | 3,385,291 |
| Contributed surplus | 6 | 524,475 | 344,697 |
| Accumulated deficit | | (3,273,811) | (3,031,009) |
| | | 654,705 | 698,979 |
| | | 942,378 | 989,636 |

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)

**360 Capital Financial Services Group Inc.**
Consolidated Interim Statements of Comprehensive Loss
(Unaudited)
(Expressed in Canadian Dollars)

| | Note | Three Months ended March 31, 2017 | March 31, 2016 |
|---|---|---|---|
| | | $ | $ |
| Revenue | | | |
| Insurance services commission | | - | 7,270 |
| Financial advisory services | | 28,500 | 17,495 |
| | | 28,500 | 24,765 |
| Expenses | | | |
| Commissions | | - | 5,861 |
| Office and miscellaneous | 5 | 17,847 | 20,857 |
| Professional fees | 5 | 30,350 | 46,366 |
| Regulatory and transfer agent fees | | 5,724 | 5,561 |
| Salaries and benefits | 5 | 41,250 | - |
| Share-based compensation | 6 | 179,778 | - |
| | | 274,949 | 78,645 |
| Loss from operations | | (246,449) | (53,880) |
| Other income (expenses) | | | |
| Interest and other income | | 3,647 | - |
| | | - | - |
| Net income (loss) and comprehensive income (loss) | | (242,802) | (53,880) |
| Earnings (loss) per common share – basic and diluted | | (0.00) | (0.00) |
| Weighted average number of common shares outstanding – basic and diluted | | 57,504,112 | 48,854,112 |

**360 Capital Financial Services Group Inc.**
Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

| | Note | March 31, 2017 | March 31, 2016 |
|---|---|---|---|
| | | $ | $ |
| OPERATING ACTIVITIES | | | |
| Net income (loss) for the year | | (242,802) | (53,880) |
| Items not affecting cash: | | | |
| Share-based compensation | 5,6 | 198,528 | - |
| | | (44,274) | (53,880) |
| Changes in non-cash working capital items: | | | |
| Amounts and other receivable | | - | 5,928 |
| Prepaid expense | | (1,250) | 3,567 |
| Accounts payable and accrued liabilities | | 5,292 | 4,928 |
| Deferred revenue | | (16,500) | - |
| Due to related parties | | 3,887 | - |
| Cash used in operating activities | | (52,845) | (39,457) |
| INVESTING ACTIVITIES | | | |
| Proceeds from repayment of promissory notes | 3 | - | 50,000 |
| Long-term investment in associate | 4 | (10,000) | - |
| Cash provided by investing activities | | (10,000) | 50,000 |
| FINANCING ACTIVITIES | | | |
| Interest on subordinate debt | 5 | 794 | - |
| Advance from related parties | 5 | - | 1,205 |
| Cash provided by financing activities | | 794 | 1,205 |
| Change in cash | | (62,051) | 11,748 |
| Cash, beginning of year | | 271,026 | 110,361 |
| Cash, end of year | | 208,975 | 122,109 |
| Supplemental disclosures: | | | |
| Cash paid for interest | | - | - |
| Cash paid for income taxes | | - | - |
| Non-cash transactions: | | | |
| Shares issued for consulting services | 5 | 18,750 | - |

The accompanying notes are an integral part of these consolidated financial statements

**360 Capital Financial Services Group Inc.**
Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in Canadian Dollars)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | Number of Common Shares | Amounts | Contributed Surplus | Accumulated Deficit | Total |
| | | $ | $ | $ | $ |
| Balance at December 31, 2015 | 48,854,112 | 3,187,791 | 344,697 | (3,462,633) | 69,855 |
| Comprehensive loss | - | - | - | (53,880) | (53,880) |
| Balance at March 31, 2016 | 48,854,112 | 3,187,791 | 344,697 | (3,516,513) | 15,975 |
| Shares issued for cash | 6,000,000 | 150,000 | - | - | 150,000 |
| Shares issued for services | 1,900,000 | 47,500 | - | - | 47,500 |
| Comprehensive income | - | - | - | 485,504 | 485,504 |
| Balance at December 31, 2016 | 56,754,112 | 3,385,291 | 344,697 | (3,031,009) | 698,979 |
| Share-based compensation | - | - | 179,778 | - | 179,778 |
| Shares issued for services | 750,000 | 18,750 | - | - | 18,750 |
| Comprehensive loss | - | - | - | (242,802) | (242,802) |
| Balance at March 31, 2017 | 57,504,112 | 3,404,041 | 524,475 | (3,273,811) | 654,705 |

The accompanying notes are an integral part of these consolidated financial statements

(Unaudited, expressed in Canadian Dollars)

## 1. NATURE OF OPERATIONS AND GOING CONCERN

360 Capital Financial Services Group Inc. (“360 Capital” or “Company”) was incorporated in British Columbia on February 19, 2009. On September 30, 2013 pursuant to a Plan of Arrangement and Amalgamation Agreement (the “Plan”), Global MGA Financial Inc. (“Global”) amalgamated with Carnelian Strategic Capital Corp. (“Carnelian”), which was a reporting issuer incorporated in British Columbia on May 3, 2013. Pursuant to the Plan, the amalgamated company was named 360 Capital Financial Services Group Inc.

On November 27, 2013, shares of 360 Capital were listed on the Canadian Securities Exchange (“CSE”) for trading under the trading symbol TSZ.

360 Capital and its subsidiaries, conduct financial services businesses and seek to develop the company organically and through acquisition, partnership, joint-venture, and strategic alliance and cooperation. These financial services include merchant banking and corporate finance and consulting and advisory services for private and public companies. In addition, the company also invests in private placements of issuers.
The Company’s registered address is 440-890 West Pender Street, British Columbia, Canada.

These consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for at least the next twelve months. The Company has incurred losses since its inception and has an accumulated deficit of $3,273,811 as at March 31, 2017. In addition, the Company has experienced negative cash flows from operations. These factors raise significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, identifying and acquiring businesses or assets, and generating profitable operations in the future. These consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. These consolidated interim financial statements should be read in conjunction with the Company’s financial statements for the year ended December 31, 2016.

*Basis of Measurement*

These consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

*Basis of Consolidation*

These consolidated interim financial statements include the accounts of the Company and its subsidiaries as follows:

| Legal Name | Place of Incorporation | Principal Activity |
|---|---|---|
| Global MGA (Hong Kong) Limited | Hong Kong | Holding Company |
| Mega Bright Financial Incorporated | British Columbia, Canada | Insurance Sales |
| 360 Securities Ltd. | British Columbia, Canada | Financial Services Company |

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Basis of Consolidation* (continued)

Global MGA (Hong Kong) Limited is a non-active holding company. During the year ended December 31, 2016, the Company dissolved its China subsidiary, Zhaoying (Shanghai) Management Consulting Co. Ltd. as it had been inactive since incorporation.

The accounting policies of its subsidiaries are consistent with the policies adopted by the Company.

*Foreign Currencies*

The reporting and functional currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date.

In preparing the consolidated financial statements of the individual subsidiaries, transactions in currencies other than the parent's functional currency, which is the Canadian dollar, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items that are denominated in currencies other than the functional currency are translated at the period end exchange rates. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in profit or loss in the period.

*Financial Instruments*

i) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as financial assets at FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company's amounts due from related companies are classified as loans and receivables as at March 31, 2017.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally of the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. The Company's long-term investments are classified as financial assets as available for sale.

Purchase and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Financial Instruments* (continued)

ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable, due to related parties and subordinated debt are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has no financial instruments classified as financial liabilities at FVTPL at March 31, 2017.

*Cash and Cash Equivalents*

Cash and cash equivalents are classified as fair value through profit or loss and include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions.

*Intangible Assets*

The Company's intangible asset is comprised of a book of agency relationships with insurance customers purchased from an unrelated party and is measured at cost. The insurance customers are considered to have an estimated life of up to 10 years, being the expected period over which insurance premiums and agency commissions are likely to be earned from the customer. Accordingly, the cost of the agency relationships is amortized over that period. The agency relationships are assessed for impairment and expected remaining life annually. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of comprehensive income (loss).

*Impairment*

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Investment in Associates*

The Company follows the equity method of accounting for its investments in associates in which it owns less than 50% and over which it exercises significant influence. Under this method, the Company includes in its net earnings its share of the net earnings or losses of the associate less dividends received, if any.

Once management determines that it no longer has significant influence, it recognizes the investment at fair value, with any gain or loss recognized in net income. Following recognition at fair value, the investment is treated as fair value through profit and loss with any gain or losses accounted through comprehensive income.

*Share Capital*

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

*Share Issue Costs*

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to earnings.

*Share-based Payment Transactions*

The Company offers equity-settled share-based payments to directors, officers, employees and non-employees. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve. Equity-settled awards are not re-measured subsequent to the initial grant date. Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

*Earnings (Loss) per Share*

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is based on the weighted average number of common shares and stock options outstanding at the beginning of or granted during the period, calculated using the treasury stock method. Under this method, the proceeds from the exercise of the options are assumed to be used to repurchase the Company's shares. The difference between the number of shares assumed purchased and the number of options assumed exercised is added to the actual number of shares outstanding to determine diluted shares outstanding for purposes of calculating diluted earnings per share. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive, in which case the information is not presented.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Income Taxes*

Income tax expense is comprised of current and deferred tax components. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the related tax is recognized in equity or other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method. Under this method, the Company calculates all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the period end date. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the period end date.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of the financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*Revenue Recognition*

Insurance services commission revenue is generally based on the Company's gross commissions on insurance premiums received in respect of the closing of insurance contracts. Commission income is recorded when the amount is able to be determined and measured reliably based on commission contracts or arrangements, it is probable that economic benefits in the form of payment of the commissions will be received by the Company, and the insurance contract between the insured and the insurer is binding such that the insurer cannot avoid the obligation to pay the commission. This is also the point at which the Company is obligated to pay the agent's share of the commission to the agent and the costs to pay the agent can be measured reliably.

Financial advisory services revenue, such as consulting fees earned, is generally recognized when the related services have been provided, the amount is determinable and the collectability is reasonably assured. The specific terms of the advisory services arrangements governing how and when such revenue will be recognized depend on the arrangement. Non-refundable fees are recognized when they have been received and there are no outstanding conditions which may cause such fees to be refunded.

Interest income is recognized as earned on an accrual basis.

Income or loss related to the Company's share of investments in associates is accounted using the equity method. See also Note 4.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Significant Accounting Estimates and Judgments*

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

a. the determination of deferred income tax assets and liabilities;
b. the determination of the useful life of the intangible asset;
c. the valuation and measurement of the investments, including the determination of fair value.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

d. the determination of the functional currency of the Company;
e. the determination of the revenue recognition policy for insurance commission;
f. the determination of the revenue recognition policy for financial advisory services income;
g. the classification and treatment of the Company’s investment in associates and the determination of whether or not it has significant influence over the associate;
h. the evaluation of the Company’s ability to continue as a going concern

*Provisions*

Provisions represent liabilities of the Company for which the amount or timing is uncertain. A provision is recognized when, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

*New Accounting Pronouncements Adopted During the Year*

During the year ended December 31 2016, the Company did not adopt any new accounting standards and interpretations.

*New Accounting Standards Issued But Not Yet Effective*

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*New Accounting Standards Issued But Not Yet Effective (continued)*

The following standard will be effective for annual periods beginning on or after January 1, 2017:

*Standard effective for annual periods beginning on or after January 1, 2018*

IFRS 9 *Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income ("FVOTCI") category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 15 - *Revenue from Contracts with Customers* - On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue – barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

*Standard effective for annual periods beginning on or after January 1, 2019*

IFRS 16 – *Leases* - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16.

The extent of the impact of adoption of these standards on the consolidated financial statements of the Company has not been determined.

## 3. PROMISSORY NOTES

A loan was advanced to a customer to whom the Company provided consulting services during the year ended December 31, 2014. The principal of the loan was $50,000 with an interest rate of 7.5% due December 31, 2015. The loan was secured by an assignment of tax refunds. The principal portion of the note was fully repaid in 2016. The accrued interest portion in the amount of $4,688 was not recovered and included in write off of interest expense in the statement of comprehensive loss for the year ended December 31, 2015.

(Unaudited, expressed in Canadian Dollars)

**4. LONG-TERM INVESTMENTS**

(a) Silver Maple Ventures Inc.

On August 29, 2014, the Company acquired a 29% interest in Silver Maple Ventures Inc. ("SMV") by purchasing 2,175,000 common shares of SMV at $0.025 per share for aggregate cash consideration of $54,375. The initial value of the Company's investment in SMV at the time the interest was originally acquired, was based on the subscription price for the shares. The Company was granted a pre-emptive right enabling it to maintain its percentage equity interest in SMV upon subsequent equity financing of SMV.

SMV was incorporated under the Business Corporation Act of British Columbia on October 18, 2013. It is registered as an Exempt Market Dealer in British Columbia, Alberta and Ontario. SMV proposes to raise funds by providing funding and investment services to accredited and non-accredited investors via online platform and representative networks. The shares of SMV are not currently listed on any stock exchange.

During 2015, the Company advanced various amounts to SMV. These advances were unsecured and bear interest at the rate of 3% per annum and matured on December 31, 2016. As of December 2016, the loan and accrued interest of $1,345 was fully repaid.

During the year ended December 31, 2016, management determined that it had lost significant influence over SMV. Specifically, management determined that influence was lost on September 30, 2016 because the Company's interest in SMV had been reduced below 20% as a result of SMV continuing to issue shares to subscribers between July and September 2016. Although the Company had the right to do so, it did not participate in these subscriptions, as a result its interest was diluted to approximately 18.5%. In addition, the Company had not had any representation on SMV's Board of Directors for some time prior to September 30, 2016, and it was no longer active in SMV's management. Subsequently, the Company's interest in SMV was further diluted to approximately 16.6%.

As a result of no longer having significant influence, the Company was required to reclassify its investment in SMV to fair value. Management's determination of fair value at September 30, 2016 was based on the fact that SMV had issued approximately 1 million shares to subscribing shareholders pursuant to an offering memorandum at a price of $0.32 per share to September 30, 2016. As SMV continued to issue additional shares to subscribers between October 2016 and January 2017 at $0.32 per share, management determined that the fair value of the investment in SMV should continue to be based on the $0.32 per share value at December 31, 2016..

The Company has also determined to classify its investment on SMV as an available for sale financial instrument, which will result in any gains or losses as a result of changes in fair value being accounted and presented in other comprehensive income or loss.

Summarized financial information for SMV (100% basis) prepared in accordance with IFRS as at September 30, 2016 is as follows:

| | As at September 30, 2016 |
|---|---|
| | $ |
| Total current assets | 361,681 |
| Total non-current assets | 59,654 |
| Total assets | 421,335 |
| | |
| Total current liabilities | 254,710 |
| Total non-current liabilities | 46,000 |
| Total liabilities | 300,710 |
| Total deficit | 120,625 |
| Total liabilities and deficit | 421,335 |

During the year ended September 30, 2015, SMV generated revenue of $155,109 and incurred operating expenses totalling $773,500, for a net loss and comprehensive loss of $618,391. As the Company's net loss from SMV was substantially higher than its carrying value, the full amount of investment was written off as of September 30, 2016, giving rise to recognition of a share of loss from investment in associate of $13,979.

(Unaudited, expressed in Canadian Dollars)

**4. LONG-TERM INVESTMENTS** (continued)

(a) Silver Maple Ventures Inc. (continued)

The initial recognition of the investment at fair value gives rise to a gain on recognition of fair value of former associate of $696,000, which has been recognized as other income through operations. There were no changes in the subsequent measurement and as a result, no other comprehensive income or loss has been recorded to December 31, 2016.

(b) Investment in LottoGopher Holding Inc. ("LottoGother")

During the year ended December 31, 2016, the Company purchased 40,000 common shares of LottoGopher Holdings Inc. at $0.25 per share for a total of $10,000. The Company holds approximately 0.35% interest of LottoGopher as a result of this investment.

(c) Investment in Quickflo Health Inc. ("Quickflo")

During the period ended March 31, 2017, the Company purchased 133,333 common shares of Quickflo Health Inc. at $0.075 per share for a total of $10,000.

The summary of the carrying value of investments throughout the year is as follows:

| | SMV | LottoGopher | Quickflo | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Carrying value, December 31, 2014 | 55,743 | - | - | 55,743 |
| Loan to associate | 6,000 | - | - | 6,000 |
| Loss of SMV in 2015 | (26,764) | - | - | (26,764) |
| Carrying value, December 31, 2015 | 34,979 | - | - | 34,979 |
| Loan repayment | (21,000) | - | - | (21,000) |
| Loss of investment in 2016 | (13,979) | - | - | (13,979) |
| Carrying value, September 30, 2016 | - | - | - | - |
| Adjustment on initial recognition as available for sale | 696,000 | - | - | 696,000 |
| Purchase of investment | - | 10,000 | - | 10,000 |
| Balance, December 31, 2016 | 696,000 | 10,000 | - | 706,000 |
| Purchase of investment | - | - | 10,000 | 10,000 |
| Carrying value, March 31, 2017 | 696,000 | 10,000 | 10,000 | 716,000 |

**5. RELATED PARTY TRANSACTIONS AND BALANCES**

Details of outstanding balances with related parties including key management personnel are as follows:

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| Due from related companies with common shareholders | 14,404 | 10,860 |
| Due to directors | 35,026 | 27,596 |

In addition, included in accounts payable and accrued liabilities is $161,690 (2016 - $134,826) due to officers and directors for consulting fees, salary payable and expense reimbursements.

## 5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

On November 18, 2016, the Company entered into a promissory note with a director to borrow $60,000 at 5% per annum, due January 31, 2018. On November 18, 2016, the promissory note was extended to June 30, 2018 with interest payable upon maturity. During the period ended March 31, 2017, interest in the amount of $793 was accrued on this note (2015 - $nil).

The amounts are unsecured, do not bear any interest and have no fixed terms of repayment.

*Compensation of the executive management team and directors*

The Company has identified its directors and senior officers as its key management personnel:

During the year ended December 31, 2016, the Company entered into two consulting agreements with two officers for providing consulting and fundraising activities. See also Note 9. On December 2, 2016, the Company issued 1,900,000 common shares to these officers. The fair value of these shares was determined to be $47,500 based on the price from the concurrent private placement.

On March 3, 2017, the Company issued 750,000 common shares to these officers. The fair value of these shares was determined to be $18,750 based on the price from the concurrent private placement. These consulting fees have been recorded in salaries and benefits expense.

For the three months ended March 31, 2017, total compensation of $22,500 (2016 - $17,500) was paid to the Company's executive management team and directors.

During the three months ended Mach 31, 2017, the Company paid consulting fees of $15,000 (2016 - $7,500) to an officer who is also a director of the Company.

## 6. SHARE CAPITAL

*Authorized Share Capital*

The Company is authorized to issue an unlimited number of common shares without par value. All issued shares are fully paid.

On December 2, 2016, the Company issued 1,900,000 common shares to two officers of the Company for providing consulting services (see Notes 5 and 9).

On December 12, 2016, the Company completed a non-brokered private placement and issued 6,000,000 units ("Units") for proceeds of $150,000 at $0.025 per Unit. Each Unit comprised one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of $0.05 per share for three years.

On March 3, 2017, the Company issued 750,000 common shares to two officers of the Company for providing consulting services (see Notes 5 and 9).

*Share Purchase Option Compensation Plan*

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers.

On February 17, 2017, the Company recorded share-based compensation of $179,778 with respect to 5,700,000 options granted to directors which fully vested upon grant. The fair value of these stock options was $0.03 and was estimated using the Black-Scholes option pricing model. The assumptions used in calculating the fair value are as follows:

(Unaudited, expressed in Canadian Dollars)

| | |
|---|---|
| Risk free interest rate | 1.16% |
| Expected life of options | 5 years |
| Expected dividend yield | 0.0% |
| Expected stock price volatility | 78.50% |
| Expected forfeiture rate | 0.0% |

The following table summarizes stock options outstanding at March 31, 2017:

| | | Outstanding and Exercisable | | |
|---|---|---|---|---|
| Expiry Date | Exercise Price $ | Number of shares | Weighted average remaining contractual life (years) | Weighted average exercise price $ |
| October 14, 2018 | 0.10 | 3,000,000 | 1.54 | 0.10 |
| February 16, 2022 | 0.05 | 5,700,000 | 4.88 | 0.05 |

The following table summarizes warrants outstanding at March 31, 2017:

| | | Outstanding and Exercisable | | |
|---|---|---|---|---|
| Expiry Date | Exercise Price $ | Number of shares | Weighted average remaining contractual life (years) | Weighted average exercise price $ |
| December 12, 2019 | 0.05 | 6,000,000 | 2.70 | 0.05 |

## 7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

*Fair values*

The Company's financial instruments consist of cash, promissory notes, long-term investments, accounts payable, due from (to) related parties and subordinated debt. The fair values of the Company's financial assets and liabilities approximate their carrying amounts because of their current nature.

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| *Assets:* | | |
| Fair value through profit or loss (i) | 208,975 | 271,026 |
| Loans and receivables (ii) | 10,861 | 10,861 |
| Available-for-sale (iii) | 716,000 | 706,000 |
| *Liabilities:* | | |
| Other financial liabilities (iv) | 276,674 | 252,296 |

(i) Cash
(ii) Amounts receivable, due from related companies and promissory notes
(iii) Long-term investments
(iv) Accounts payable, due to related parties and subordinated debt

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

| | Balance | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| *As at March 31, 2017* | | | | |
| Cash | 208,975 | 208,975 | - | - |
| Long-term investments | 716,000 | - | 696,000 | 20,000 |
| *As at December 31, 2016* | | | | |
| Cash | 271,026 | 271,026 | - | - |
| Long-term investments | 706,000 | - | 696,000 | 10,000 |

*Currency Risk*

It is management's opinion that the Company is not exposed to significant currency risk as its short-term investments are all denominated in Canadian dollars.

*Interest Rate Risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company may experience some cash flow interest rate risk because of holding investments which bear interest at variable rates.

*Credit, Liquidity, and Market Risks*

Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risks associated with receivables are managed and exposure to potential loss is assessed as minimal. Market risks associated with short-term investments are assessed as minimal as they are considered short-term in nature.

All of the Company's financial liabilities have maturities of one year or less:

| | Carrying Amount | Contractual Cash Flows | Within 1 year | Within 2 years | Within 3 years |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| *As at March 31, 2017* | | | | | |
| Accounts payable | 177,415 | (177,415) | (177,415) | - | - |
| Due to related parties | 35,026 | (35,026) | (35,026) | - | - |
| Subordinated debt | 64,233 | (64,233) | - | (64,233) | - |
| Total | 276,674 | (276,674) | (212,441) | (64,233) | - |
| *As at December 31, 2016* | | | | | |
| Accounts payable | 172,121 | (172,121) | (172,121) | - | - |
| Due to related parties | 27,596 | (27,596) | (27,596) | - | - |
| Subordinated debt | 63,440 | (66,690) | - | (66,690) | - |
| Total | 263,157 | (266,407) | (199,717) | (66,690) | - |

## 8. CAPITAL MANAGEMENT

The Company's objectives for managing capital (defined as all components of equity) are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. The Company manages capital by issuing new shares or new debt. There are no externally imposed capital requirements

## 9. COMMITMENTS AND CONTINGENT LIABILITIES

a) The Company is committed to consulting fees of $60,000 in total per year to an officer who is also a director, until cancellation of the consulting agreement, which requires notice of 30 to 90 days by either party.

b) The Company is contingently liable for a two year severance obligation in the event of termination of the CEO without cause or notice.

c) During the year ended December 31, 2016, the Company entered into a consulting agreement with an officer to provide consulting services. The term of the agreement is one year, commencing November 1, 2016. Compensation to the consultant includes issuance of 500,000 common shares (issued), and the issue of 500,000 common shares upon closing of a minimum $500,000 private placement. In addition, the consultant is to receive 2,000,000 shares to be held in escrow of which 25% are to be released immediately and the remaining 1,500,000 are to be released at 500,000 shares each successive quarter. The consultant is also entitled to 4% cash and 4% warrants on money raised for 360 Capital's clients.

d) During the year ended December 31, 2016, the Company entered into a consulting agreement with an officer to provide investor relations services. The term of the agreement is one year, commencing November 15, 2016. Compensation to the consultant includes issuance of 500,000 common shares (issued), and the issue of 500,000 common shares upon closing of a minimum $500,000 private placement. In addition, the consultant is to receive 1,000,000 shares to be held in escrow of which 25% are to be released immediately and the remaining 750,000 are to be released at 250,000 shares each successive quarter. The consultant also receives 1,000,000 common shares upon successful funding of $1,000,000 and granting of 1,250,000 stock options. The consultant is also entitled to 4% cash and 4% warrants on money raised for 360 Capital's clients.

## 10. SEGMENTED REPORTING

The Company's business as described in Note 1 is considered and reported as one operating segment.

## 11. SUBSEQUENT EVENTS

Both consulting agreements in note 9c and 9d were terminated in April 2017.

On May 2, 2017 the Company closed non-brokered private placement, which is oversubscribed. The Company issued thirty (30) million units at $0.03 per Unit for aggregate gross proceeds of $900,000. Each Unit is comprised of one common share in the capital of the Company and one transferable common share purchase warrant, with each share purchase warrant being exercisable into one Common Share at a price of $0.05 for a period of three years from the date of issuance. The offering was sold pursuant to exemptions from prospectus requirements in accordance with applicable securities law and Canadian Securities Exchange policies.

The proceeds of the private placement will be utilized for the Company's working capital purposes and to invest in new business opportunities. Closing of the Offering is subject to receipt of approval from the Exchange and all securities issued are subject to a four-month hold period in accordance with applicable Canadian securities laws.